

Message from the Chairman

Governor Holden & Members of the Missouri General Assembly:

On behalf of the Missouri Gaming Commission, it is my pleasure to present the annual report for FY 2001. This report is submitted to comply with Section 313.837, RSMo.

The annual report contains an account of the Commission's activities over the past year including a summary of the status of each licensed gaming facility; a report of gaming tax and admission fee collections; an analysis of the gaming markets in Missouri; an account of the activities of each component of the Commission's staff; a report on the status of gaming industry affirmative action programs; and an update on the Commission's programs for problem gamblers and their families.

The annual report also contains a section fulfilling the Commission's statutory mandate to report to you on the effect of the loss limit on the competitiveness of Missouri riverboat casinos versus gaming facilities in neighboring jurisdictions. Once again, you will see that the data clearly shows that the loss limit renders Missouri riverboat casinos less competitive. In light of the fact that this data has changed little over the past six years, we request that you consider repealing this reporting requirement, as it is now becoming an annual redundancy.

In December 2000, the Commission was able to put an end to its lengthy and very public inquiry into Station Casinos' activities in Missouri, particularly the allegations regarding their unlawful contacts with the initial chairman of the Commission. The Commission entered into a settlement agreement with Station resolving all pending disciplinary complaints against its Missouri operations. As a part of the settlement, Station agreed to pay a \$1 million penalty and would sell its assets in Missouri, which cost more than \$600 million to build, for \$475 million. On December 19, 2000, the Commission licensed Ameristar Casinos as the new owner of the properties.

The annual report includes a number of recommendations for legislation which, in the Commission's view, would make the nation's most stringent gambling law even more effective. The recommendations include new penalties for ex parte communications and tougher ethical standards for Commission members, industry representatives and those who seek to influence the Commission. These provisions will further augment provisions that require official acts of the Commission and the debates associated with them, to be conducted in public and open to the full scrutiny of the citizens to whom we are responsible.

In addition, the recommendations would grant the Commission more specific subpoena power and would penalize gaming licensees who refuse to submit information requested by the Commission in the course of its regulatory oversight. Finally, the Commission recommends new language to the statute further clarifying that a gaming license is a privilege and no property rights attach.

A significant portion of the Commission's time and resources during the last year have been devoted to investigating issues related to the proposed casino project in Jefferson County. In July 2000, the Commission concluded an 18-month review of the St. Louis metropolitan area market. During this review, the Commission heard testimony from any interested party wishing to express an opinion on whether or not there should be another casino in the St. Louis area, and where it should, or should not, be located.



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After the Commission selected the Isle of Capri project in Jefferson County, a group representing the village of Kimmswick emerged as a visible opponent of the project. Before the selection and throughout the 18-month review process, this group was noticeably absent from the debate when compared to other groups who either supported or opposed any one of several proposed casino sites.

The Kimmswick supporters teamed with some supporters of unsuccessful applicants to make a number of allegations regarding the Commission's selection process. To address these charges, the Commission asked independent third parties to review the selection process. Fortunately, Attorney General Jay Nixon responded by appointing Special Assistant Attorney General Larry Hale and directed him to conduct a thorough investigation into the selection process. The Hale Report found the process to be fair and free from political influence. It found no wrongdoing on the part of the Commission.

The group also raised allegations questioning statements made by Isle of Capri during the selection process and about the viability of the proposed site. An investigative team composed of three members of the Missouri State Highway Patrol's gaming division and one financial investigator have spent more than 1,900 hours during the past year reviewing evidence and interviewing witnesses. At the time of this writing, the investigation is nearing its conclusion. When you read this report, the Commission will have taken some action based upon the investigative report.

In December 2000, C.E. "Mel" Fisher retired as the Commission's Executive Director. Mel had been with the Commission since its inception in 1993. We on the Commission wish him well. Mel was preceded by Tom Irwin, our first Executive Director, and followed by Kevin Mullally, our current Executive Director. Tom and Kevin were also originals with the Commission. We offer our sincere thanks to these three gentlemen. Their leadership, insight and tough but fair enforcement was and is a big factor in the excellent reputation this Commission enjoys. We are also fortunate to have one of the very best, if not the best, staff and support personnel in state government. Last but not least, we recognize the Highway Patrol personnel attached to the Commission as outstanding men and women doing, as always, an excellent job. My personal thanks to each of the Executive Directors, staff, personnel and the Patrol for a job well done.

In closing, I thank you for the opportunity to serve as chairman of the Missouri Gaming Commission. This will be my last participation in the annual report as my term expires and I will not seek reappointment. I have enjoyed working with you to uphold the high standards that have been set for gaming regulation in this state. Together we have established a national reputation for strict enforcement of the law. I hope you will continue to support the work of the Commission so that this reputation continues and flourishes.

Sincerely,



L.G. Ullery
Chairman

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